

Message Text

PAGE 01 NATO 02373 151551 Z

44

ACTION EUR-25

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TAGS: BCOM, MCAP, NATO

SUBJECT: INTERNATIONAL COMPETITIVE BIDDING - COMPARISON OF BIDS
WITHOUT TAXES AND DUTIES

REF: NATO DOCUMENT AC/4- WOP/496, 11 MAY 73.

BEGIN SUMMARY. THE INFRASTRUCTURE COMMITTEE DRAFTED A REPORT ON SUBJECT MATTER IN PURSUANCE OF DIRECTION OF THE DPC IN MINISTERIAL SESSION 6 DEC 72. REFERENCES URGES THAT NATIONAL INSTRUCTIONS BE OBTAINED ON THIS DOCUMENT WITH A VIEW TO FINALIZING THE REPORT TO THE DPC AT INFRASTRUCTURE MEETING 22 MAY 73, THUS ALLOWING DPC CONSIDERATION PRIOR TO NEXT MINISTERIAL MEETING. THE ACCEPTANCE OF THE PRINCIPLE OF COMPARING BIDS WITHOUT TAXES AND DUTIES IS CONSIDERED POSSIBLY BY MOST NATIONS, HOWEVER, ONE NATION, ITALY, IS FINDING IT EXTREMELY DIFFICULT TO AGREE. AFTER MUCH DELIBERATION, THE REPORT HAS BEEN WORDED IN SUCH MANNER THAT IT IS HOPED ALL NATIONS MAY BE ABLE TO AGREE.

END SUMMARY.

1. THE DRAFT REPORT TO THE DPC (ANNEX TO REFERENCE) IS
QUOTED AS FOLLOWS:
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PAGE 02 NATO 02373 151551 Z

QTE INTERNATIONAL COMPETITIVE BIDDING PROCEDURES - COMPARISON
OF BIDS WITHOUT TAXES AND DUTIES.

1. AT ITS MEETING ON 6 TH DECEMBER 1972 (DPC/ R(72)20)

THE DEFENSE PLANNING COMMITTEE IN MINISTERIAL SESSION: QTE (D)
DIRECTED THE DEFENSE PLANNING COMMITTEE IN PERMANENT SESSION,
WITH THE ASSISTANCE OF THE INFRASTRUCTURE COMMITTEE, TO RECOMMEND
AN APPROPRIATE SOLUTION TO THE QUESTION OF COMPARISON OF BIDS
WITHOUT TAXES AND DUTIES AND REPORT THEREON TO THE MINISTERS IN
JUNE 1973 UNQTE.

2. IN ACCORDANCE WITH THE ABOVE DIRECTION THE INFRA-
STRUCTURE COMMITTEE HAS, WITH THE AID OF A FACT-FINDING QUESTION-
NAIRE, INVESTIGATED THE FEASIBILITY OF A BID COMPARISON WITHOUT
IDENTIFIABLE CUSTOMS DUTIES AND TAXES.

3. ALL NATIONS EXEMPT SHAPE HOSTED PROJECTS FROM TAXATION
UNDER THE PARIS PROTOCOL. FOR SUCH PROJECTS BID COMPARISONS
ARE MADE WITHOUT TAXES AND DUTIES. IT HAS BEEN AGREED THAT
SIMILAR ARRANGEMENTS WILL APPLY TO NICSMA HOSTED PROJECTS.

4. SOME NATIONS ALREADY EXEMPT ALL INFRASTRUCTURE WORKS
FROM TAXATION, AND SOME OTHER NATIONS ARE PREPARED TO CONSIDER
DOING SO. FOR THESE NATIONS, ONCE EXEMPTION IS GRANTED, BIDS
WOULD BE COMPARED WITHOUT TAXES AND DUTIES.

5. THOSE NATIONS WHICH ARE NOT ABLE TO EXEMPT FROM
TAXATION INFRASTRUCTURE FACILITIES WHICH THEY HOST, COULD BE
INVITED TO CONSIDER LEGISLATIVE OR OTHER MEANS OF ADOPTING THE
PRINCIPLE OF COMPARING BIDS WITHOUT TAXES AND DUTIES, ALTHOUGH
UNDER THEIR NATIONAL LEGISLATION, TAXES AND DUTIES, ALTHOUGH
NOT COMMONLY FUNDED, WOULD CONTINUE TO BE IMPOSED. FOR MANY
EUROPEAN NATIONS THE ADAPTATION, WHENEVER POSSIBLE, OF THEIR
REGULATIONS OR PROCEDURES, WILL TAKE SOME TIME BEFORE A NEW BID
COMPARISON PROCEDURE COULD BE INTRODUCED.

6. IT IS THE WISH OF THE NORTH AMERICAN MEMBERS OF
NATO TO HAVE THE INTRODUCTION OF PROCEDURES FOR EVALUATION OF
BIDS EXCLUSIVE OF CUSTOMS DUTIES AND TAXES, APPLICABLE AS SOON
AS POSSIBLE TO ALL INFRASTRUCTURE PROJECTS, INCLUDING THOSE IN
PAST SLICES, TO BE AUTHORIZED AFTER THE ADOPTION OF SUCH PRO-
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PAGE 03 NATO 02373 151551 Z

PROCEDURES, AND IN NO CASE LATER IN TIME THAN THE BEGINNING OF THE
NEXT COST SHARING PERIOD (1975-1979). OTHER REPRESENTATIVES ARE
OF THE OPINION THAT THESE PROCEDURES SHOULD NOT BE APPLIED
RETROACTIVELY TO PROJECTS IN EARLIER SLICE GROUPS.

7. ANY DECISION TO ADOPT THE PRINCIPLE OF COMPARING
BIDS WITHOUT TAXES AND DUTIES FOR THE NATO COMMON INFRASTRUCTURE
PROGRAM SHOULD NOT BE REGARDED AS A PRECEDENT FOR OTHER INTER-
NATIONAL ECONOMIC NEGOTIATIONS.

8. FOR MANY EUROPEAN NATIONS ELIMINATION OF TAXES AND
DUTIES FROM BID COMPARISONS COULD HAVE A DISADVANTAGEOUS EFFECT
UPON DOMESTIC SUPPLIERS AND, FOR CERTAIN NATIONS, COULD ALSO LEAD
TO A HEAVIER BURDEN ON THEIR DEFENSE BUDGET.

9. AS A CONSEQUENCE, ADOPTION OF THE PRINCIPLE WOULD REPRESENT A CONTRIBUTION BY THE EUROPEAN NATIONS TOWARDS FACILITATING THE ARRANGEMENTS FOR THE NEXT FIVE- YEAR INFRASTRUCTURE PROGRAM.

10. RECOMMENDATION. FOLLOWING THE STUDY CARRIED OUT BY THE INFRASTRUCTURE COMMITTEE, THE DEFENSE PLANNING COMMITTEE RECOMMENDS THAT DEFENSE PLANNING COMMITTEE IN MINISTERIAL SESSION:

(A) NOTE THAT THE PRINCIPLE OF COMPARING BIDS WITHOUT TAXES AND DUTIES IS ALREADY CONSIDERED FEASIBLE BY MOST NATIONS;

(B) NOTE THAT FOR SOME OF THESE NATIONS DETAILED APPLICATION OF THE PRINCIPLE WILL TAKE TIME TO WORK OUT AND TO INTRODUCE BUT THAT IT IS ANTICIPATED THAT THIS COULD BE ACHIEVED IN TIME FOR THE 1975-1979 COST- SHARING PERIOD;

(C) INVITE NATIONS TO APPROVE PRIOR TO THE NEXT MINISTERIAL MEETING, THE PRINCIPLE OF COMPARISON OF BIDS WITHOUT IDENTIFIABLE TAXES AND DUTIES;

(D) INVITE NATIONS UPON THEIR APPROVAL OF THE ABOVE PRINCIPLE TO INITIATE PROMPTLY APPROPRIATE ACTION TO PERMIT THE APPLICATION THEREOF;
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PAGE 04 NATO 02373 151551 Z

(E) DIRECT THE DEFENSE PLANNING COMMITTEE IN PERMANENT SESSION TO INSTRUCT THE INFRASTRUCTURE COMMITTEE TO DEVELOP APPROPRIATE NATO PROCEDURES FOR NATIONAL APPROVAL AND APPLICATION AS SOON AS POSSIBLE AND IN NO CASE LATER IN TIME THAN THE BEGINNING OF THE NEXT COST SHARING PERIOD (1975-1979) UNQTE.

2. NOTEWORTHY IS THE UNRESOLVED MATTER AS TO APPLICABILITY OF SUCH A NEW PRINCIPLE. NATIONS OTHER THAN CANADA AND THE US DO NOT AGREE TO APPLYING THE PRINCIPLE OF COMPARING BIDS EXCLUSIVE OF TAXES AND DUTIES TO PROJECTS CONTAINED IN SLICES PRIOR TO THOSE IN THE FORTHCOMING 1975-1979 COST SHARING PERIOD.

A. OUR US POSITION HAS BEEN THAT THIS NEW PRINCIPLE SHOULD BE ADOPTED AS EARLY AS POSSIBLE FOR ALL PROJECTS (IN BOTH APPROVED AND FUTURE PROGRAMS) AND NO LATER THAN THE BEGINNING OF THE NEXT COST SHARING PERIOD.

B. FURTHER, DRAWING UPON US STATEMENTS IN DPC- VR(72)20, PART II, 6 DEC 72, WE HAVE REITERATED OUR POSITION THAT QTE BEFORE THE UNITED STATES AGREES TO AN EXTENSION OF NATO INFRASTRUCTURE, WE WILL WANT AGREEMENT THAT ALL INFRASTRUCTURE BIDS BE COMPARED EXCLUSIVE OF TAXES AND DUTIES UNQTE.

3. ACCEPTANCE OF THE DRAFT REPORT IS RECOMMENDED.
REQUEST GUIDANCE ALSO AS TO APPLICABILITY REFERRED TO IN
PARA 2 ABOVE. MCAULIFFE

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